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BY OVERNIGHT MAIL

Mr. William F. Caton
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: WT Docket No. 97-82

Dear Mr. Caton:

Enclosed for filing please find an original plus eleven (11) copies of the Reply of Frontier Corporation in the above-docketed proceeding.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed self-addressed envelope.

Very truly yours,

Michael J. Shortley, III

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

**Amendment of the Commission's
Rules Regarding Installment
Payment Financing for Personal
Communications Service (PCS)
Licensees**

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WT Docket No. 97-82

REPLY

Frontier Corporation ("Frontier") submits this reply to the comments on the petitions for reconsideration of the Commission's Second Report and Order, in which the Commission modified its rules governing the payment of amounts bid for C block personal communications service ("PCS") licenses.¹ The Commission should seek as best as possible to mirror the incentives of the marketplace, and should reject requests for additional forgiveness or reprieve from the obligations that were freely entered into in the bidding process for C block licenses.

Certainly there is a public interest in promoting the rapid deployment of facilities utilizing the bid spectrum.² Nonetheless, accommodation of those who won in the bidding but lost in the marketplace sends very dangerous signals. As the Commission acknowledged in the Second Report and Order, it did not want to adopt rules that would be unfair, or that would undermine the credibility and

¹ *Amendment of the Commission's Rules Regarding Installment Payment Financing for Personal Communications Services (PCS) Licensees*, WT Dkt. 97-82, Second Report and Order and Further Notice of Proposed Rulemaking, FCC 97-342 (Oct. 16, 1997) ("Second Report and Order").

² *Second Report and Order*, at ¶ 2.

integrity of its rules, or that would result in “drastic forgiveness” of the debt owed.³

A broad use of amnesty, disaggregation (with an opportunity to redirect resources to new and different licenses), and similar relief for those who made poor bid decisions may cause those who play by the rules to look at future auctions more carefully - with a different and less positive perspective. (It would be unfortunate if future business models of potential applicants actually started to take into account the likelihood and extent of future regulatory relief for their misjudgments in bidding.)

In contrast, the Commission gains when it provides certainty and predictability about its auction processes. Significant relief for those who overbid or bet on the likelihood of finding additional future financing is unfair to those bidders who paid attention to their financial limitations - particularly (1) those who were successful, meet their obligations and will be competitors of those who obtain relief, and (2) those who were careful and unsuccessful in the auction process.

This is an area in which there was both opportunity and inherent risk. The market rarely allows the opportunity for significant gain to exist without a large risk of failure. To remove the downside of a business decision after-the-fact is inconsistent with the objective of having regulatory processes reflect market forces. To the extent that some successful bidders ran into financial difficulty, the fault lies solely with those bidders. No one forced any of these applicants to submit an application. No one required them to remain in the auction through multiple rounds.

³ *Id.*, at ¶ 19


And no one forced any applicant to bid beyond its financial means. These were all presumably eyes-open decisions, freely made. As Commissioner Ness indicated in her Separate Statement on the Second Report and Order, "Our auction was conducted properly, our rules were clear, and numerous licensees stand ready to meet their payment obligations fully and on time. And while it is truly unfortunate that a handful of bidders overbid and/or overleveraged, it is clearly not our responsibility to prevent them from failing in the marketplace, or from going into bankruptcy."⁴

Finally, the consequences of default could not have come as a surprise to any bidder. The rules were clear that a default in payment would trigger undesirable consequences, including forfeiture of deposit payments and rescission of licenses. Those consequences should have been taken into account by participants in the auction process.

For the foregoing reasons, the Commission should more significantly limit the relief provided to bidders who are unable to meet the obligations that they undertook in the auction process.

Respectfully submitted,

Frontier Corporation

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⁴ *Separate Statement of Commissioner Susan Ness, at 1.*